

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

GENERAL ADJUSTMENTS IN)
ELECTRIC AND GAS RATES)
OF LOUISVILLE GAS AND) CASE NO. 8924
ELECTRIC COMPANY)

O R D E R

On May 16, 1984, the Commission issued an Order approving rates for service rendered by Louisville Gas and Electric Company, ("LG&E"). In that Order the Commission denied LG&E's proposed adjustment to reflect the increase in the annual fee it pays the federal government for the use of the McAlpine Dam to operate its hydroelectric plant, as the amount of the fee was not yet known and measurable. The Commission stated that the full amount of the increased fee would be recoverable through rates once a final determination was made as to the amount of the fee and that LG&E should file a proposed surcharge with an amortization period equal to the remaining life of the license at the time of the filing.

On October 22, 1984, LG&E filed a tariff sheet for a proposed surcharge of .009 cents per KWH to be effective December 1, 1984, along with supporting testimony and exhibits of William H. Hancock, Jr., Senior Vice-President and Secretary of LG&E. The proposed surcharge would recover the estimated additional annual

hydroelectric fee of \$590,845 for the year beginning December 1, 1984, plus the amortization over 251 months of \$1,980,007, the total additional charge for the period from September 1, 1981, through November 30, 1984. LG&E calculated the surcharge using rates established in the "Final Rule" issued by the Federal Energy Regulatory Commission in Docket No. RM83-13-000, "Annual Charges for use of Government Dams and Other Structures." The Commission is of the opinion that the additional hydroelectric fee is now reasonably known and measurable and that the proposed surcharge should, accordingly, be approved.

LG&E's proposed tariff provides that for purposes of showings on customer bills, the surcharge shall be combined with the then effective fuel adjustment clause ("FAC") charge. This treatment is the same as that accorded the 12-month surcharge approved on May 15, 1984, in Case No. 8616, "General Adjustment in Electric and Gas Rates of the Louisville Gas and Electric Company," wherein LG&E was authorized to include .023 cents in the monthly FAC. Thus, for approximately 6 months the FAC charge shown on customer bills would include two surcharges totaling .032 cents per KWH. Because of the special beneficial treatment granted utilities in recovering designated expenses through automatic adjustment clauses, the Commission is of the opinion that consumers should be well informed of the operations of these clauses. An important means of informing the public of the operation of automatic adjustment clauses is the separate

statement of charges resulting from those clauses on customer bills. For example, during most of 1984, LG&E's FAC charge has been a credit because LG&E's actual fuel costs have been below the costs allowed in its base rates. However, combining surcharges with the FAC charges on customer bills disguises both the FAC credits and the surcharges.

Mr. Hancock stated that in its next rate case LG&E expected to propose including the recovery of the increased hydroelectric fee in base rates and eliminating the surcharge. The Commission agrees that this should be done. Considering that the proposed surcharge will be relatively small and temporary, the Commission will allow LG&E to bill it as proposed. However, in the future the Commission expects LG&E to separately set out special surcharges on customer bills.

The Commission, having considered the evidence of record and being advised, is of the opinion and finds that the proposed hydroelectric license fee surcharge is reasonable and should be approved.

IT IS THEREFORE ORDERED that LG&E's surcharge tariff filed with the Commission on October 22, 1984, be and it hereby is approved.

Done at Frankfort, Kentucky, this 13th day of November, 1984.

PUBLIC SERVICE COMMISSION

Richard D. Kemper
Chairman

Robert L. Smith
Vice Chairman

Sam Shull
Commissioner

ATTEST:

Secretary